

## Message Text

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PAGE 01 JAKART 12911 260333Z  
ACTION EA-06

INFO OCT-01 ISO-00 SSO-00 /007 W  
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O 260305Z SEP 77  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC IMMEDIATE 4028

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FOR EA ONLY - GEBER FROM HEGINBOTHAM

E.O. 11652: N/A  
TAGS: EGEN  
SUBJECT: SFRC SUBCOMMITTEE HEARINGS

REF: STATE 228699

1. APPRECIATE CLARIFICATIONS REFTEL. BELIEVE IT ESSENTIAL TO CLARIFY GROUND RULES REGARDING IDENTIFICATION OF INDIVIDUAL BANKS. I BELIEVE IS UNACCEPTABLE FOR US TO BREACH CONFIDENTIALITY BY SPECIFYING IDENTITY OF BANK ACTORS EITHER IN CHRONOLOGY OR RESPONSE TO QUESTIONS.

2. BELIEVE DORNHEIM'S PARTICIPATION BOTH IN TESTIMONY PREPARATION AND AS AN AIDE AT HEARINGS THEMSELVES WOULD BE INVALUABLE. IF FRITTS RECOLLECTIONS APPEAR SIGNIFICANT IN SUPPORT OF DOCUMENTARY EVIDENCE AND MY RECOLLECTIONS, WE MAY ALSO WISH HIM TO ATTEND HEARINGS.

3. I CONCEIVE STRATEGY OF PREPARED TESTIMONY AS A BRIEF PRESENTATION WITH THREE SECTIONS COVERING THE SETTING, CHRONOLOGY OF MAJOR DEVELOPMENTS, AND INTERPRETATION OF EVENTS. THIS MIGHT BE ACCOMPANIED BY MORE DETAILED  
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CHRONOLGY, BUT NOT INCLUDED IN ORAL TESTIMONY. PROVIDING BRIEF TESTIMONY WOULD PERMIT QUESTIONS TO ESTABLISH LINE OF INQUIRY AND REASONING OF SUBCOMMITTEE MEMBERS, PERMITTING MORE FOCUSED RESPONSES DURING QUESTIONING SESSION.

4. SUGGEST THAT ONCE PREPARATION OF TESTIMONY AND

CHONOLOGY COMPLETED YOU CONTACT JAMES MATZ BY PHONE AT  
FLUOR HEADQUARTERS IN LOS ANGELES OR IRVINE, CALIFORNIA. PHONE  
NUMBER MAY BE IN ONE OF MY DESK CARD FILES. PHONE CALL  
TO MATZ SHOULD PERMIT CORROBORATION AND VALUABLE SUPPLEMENTARY  
SUGGESTIONS RE STRATEGY AND CONTENT OF TESTIMONY AND DETAILS  
OF CHRONOLOGY.

5. FOR "SETTING" SECTION, TESTIMONY MIGHT INCLUDE BRIEF  
STATEMENTS ON:

A) UNIQUENESS OF IBNU AND PERTAMINA POSITIONS IN  
INDONESIAN ECONOMY (CONTRAST: NO OTHER COUNTRY SITUATION  
COMPARABLE). SPECIFICALLY REFERENCING: (1) IBNU'S  
UNIQUE AND DIRECT ACCESS TO SUHARTO; (2) LATTER'S TOTAL  
CONFIDENCE IN IBNU AT OUTSET; (3) INACCESSABILITY BY  
OTHER TOP LEADERS TO DCISIONS AND FACTS INVOLVING  
PERTAMINA; (4) CLOSED INFORMATION SYSTEM OPERATED  
WITHIN PERTAMINA.

B) IBNU'S CONTINUOUS WORLD-WIDE ACCESS TO TOP  
DECISION-MAKERS, INCLUDING HEADS OF STATE.

C) IBNU'S APPRENT PHENOMENAL SUCCESS AS AN ACHIEVER  
IN PETROLEUM AND OTHER DEVELOPMENT PROJECTS.

D) OIL AS INDONESIA'S MAJOR BANKABLE ASSET.  
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E) ROLE OF TECHNOCRATS: (1) COMPETITION BETWEEN  
THEIR FISCALLY CONSERVATIVE DEVELOPMENT APPROACH, WITH  
SLOW PAY-OFF VS. IBNU'S FAST PAY-OFF STYLE, BY MORTGAGING  
FUTURE OIL PRODUCTION; (2) TECHNOCRAT INABILITY TO  
PENETRATE PERTAMINA INFORMATION AND DECISION-MAKING.

F) EVOLUTION OF U.S. SPECIAL INTEREST IN INDONESIAN  
SUPPLIES, FOLLOWING OIL CRISIS, AS INDONESIA BECAME ONLY  
OPEC NATION WILLING AND ABLE TO COMPENSATE FOR LOSS OF  
OTHER SUPPLY SOURCES, AND AS LNG DISCOVERIES PROVIDED  
EXPECTATION THAT INDONESIAN LNG MIGHT MEET CRITICAL GAS  
SHORTAGE IMPENDING IN SOUTHERN CALIFORNIA.

6. CHONOLOGY SECTION SHOULD EMPHASIZE EMBASSY, DEPARTMENT  
AND IMF DEVELOPMENTS (KEEPING IN MIND THAT SUBCOMMITTEE  
HAS HAD FULL ACCESS TO EMBASSY/DEPARTMENT TRAFFIC THIS  
SUBJECT). CHRONOLOGY SHOULD ALSO INCLUDE REFERENCES TO  
OUTSIDE CONSULTANTS ASSISTING FINANCIAL MANAGEMENT OF  
PERTAMINA AS WELL AS EVIDENCES OF U.S. BANK INPUTS IN  
UPGRADING QUALITY OF PERTAMINA BORROWING. BELIEVE  
CHRONOLOGY SHOULD BEGIN WITH BRIEF ACCOUNT OF VERY

FRUSTRATING EXPERIENCES U.S. BANKS HAD IN PRE-PERTAMINA CREDITS TO BANK INDONESIA, TO SET PERSPECTIVE.

7. INTERPRETATION SECTION MIGHT RUN AS FOLLOWS:

A) STAGE 1. DOMINATED BY DIFFICULTY OF ASCERTAINING EXTENT AND NATURE OF COMMERCIAL BANK/PERTAMINA COMMITMENTS. SHOULD INCLUDE REFERENCE TO INITIAL CREDITS FROM EUROPEAN BANKS ON PARTICULARLY DISADVANTAGEOUS TERMS, AND SUBSEQUENT ROLE U.S. BANKS IN OFFERING AND ASSISTING UPGRADING OF CREDIT TERMS.

B) STAGE 2 MIGHT DISCRIBE PROGRESS IN INFORMATION GATHERING AS ESSENTIAL TO IMF/USG/GOI ABILITY TO RESPOND  
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TO SITUATION. NOTE ALSO PROLIFERATION OF BANKS INVOLVED, INCLUDING U.S. REGIONAL BANKS.

C) STAGE 3 MIGHT INTERPRET PROGRESS IN COORDINATING EFFORT TO RESTRAIN SITUATION, FACTORS LEADING TO COLLAPSE, AND USG/IMF ROLE IN MITIGATING ADVERSE CONSEQUENCES.

8. FOREGOING IS HASTY OUTLINE DEPENDENT ON STALE MEMORY. PLEASE ADJUST AND ADAPT LIBERALLY AS DOCUMENTS, MEMORIES AND TACTICAL CONSIDERATIONS DICTATE THERE.  
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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009